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EX PARTE OR LATE FILED

USWEST

Glenn Brown
Executive Director-
Public Policy

EX PARTE

November 10, 1998

RECEIVED

NOV 10 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC1170
Washington, DC 20554

RE: CC Docket No. 96-45

Dear Ms. Salas:

On November 9, 1998, Kathleen Abernathy, Vice President, Federal Regulatory of U S WEST, made a presentation at the NASUCA Annual Convention in Orlando, Florida on Universal Service issues. Also, on the panel with Ms. Abernathy were FCC Commissioner Susan Ness, and Missouri Consumer Counsel Martha Hogarty, both of whom are members of the Universal Service Joint Board in CC Docket No. 96-45. The attached material was also reviewed with other members of the Joint Board and the Joint Board Staff. Since this presentation was made in Orlando, this ex parte filing is being made the next business day.

In accordance with the Commission's ex parte rules, an original and one copy of this letter and the attachment are being filed with your office for inclusion in the record of this proceeding.

Acknowledgment and date of receipt of this submission is requested. A duplicate of this letter is provided for this purpose.

If you have any questions, please call.

Sincerely,

Glenn Brown /dc

Attachment

cc: Commissioner Susan Ness
Ms. Martha Hogarty

10/10/98
10/10/98

OH

UNIVERSAL SERVICE

U S WEST
November, 1998

Promised Customer Benefits From the 1996 Act

- Affordable Rates
- Comparable Rates in All Areas of the Nation
- Explicit Universal Service Support
 - Specific
 - Predictable
 - Sufficient
- Access to Advanced Services in All Areas of the Nation Comparable to Urban Areas

Current Explicit Funding Will Not Be “Sufficient” For All States

- Current USF is Calculated on Statewide Averages of Cost
 - It Includes Implicit Support from Urban to Rural Areas.
 - Implicit Support is not Sustainable With Selective Competitive Entry.
- For Some States Current Explicit Federal High-Cost Funding is Sufficient.
 - Such States Have Large Concentrations of Low-Cost Urban Customers Over Which the Costs of Supporting Universal Service Can be Spread.
- For Some States Explicit Federal High-Cost Funding Must be Increased if the Goals of the 1996 Act Are to be Maintained.
 - These States Have Relatively Few Low-Cost Urban Customers.
 - Intrastate-Only Solutions Will Threaten Affordability.
 - Per-Customer Assessments Will Not be Comparable to Other States.
- **A “One-Size-Fits-All” Solution Will Not Work !!!**

Relative Numbers of Low-Cost Customers?

How Many Customers Support Each Customer Costing over \$100/month to Serve?

<u>State</u>	<u>Customers</u>
SD	20
MT	24
WY	28
NM	53
GA	261
FL	755
NY	1,624
MD	3,701
NJ	30,825

Source: BCPM3 with FCC Common Inputs. Non-Rural LECs Only.

Relative Numbers of Low-Cost Customers?

How Much Will Each Customer Have to Pay to Support Costs Over a \$30/month Affordability Benchmark?

<u>STATE</u>	<u>SURCHARGE</u>
WY	\$12.35/mo.
SD	\$8.32/mo.
MT	\$7.28/mo.
NM	\$4.29/mo.
GA	\$1.67/mo.
NY	\$0.84/mo.
MD	\$0.82/mo.
FL	\$0.43/mo.
NJ	\$0.09/mo.

Source: HAI 5.0, Default Inputs, 18Kft loop. Non-Rural LECs Only.

NOTE: U S WEST Does Not Support HAI 5.0. The FCC has determined that HAI 5.0 systematically understates loop length. Data Provided for Comparative Purposes Only.

Comparability of Rates?

How Many Times More Will Customers Pay Than Customers in New Jersey?

<u>STATE</u>	<u>SURCHARGE</u>	
WY	\$12.35/mo.	133
SD	\$8.32/mo.	90
MT	\$7.28/mo.	79
NM	\$4.29/mo.	46
GA	\$1.67/mo.	18
NY	\$0.84/mo.	9
MD	\$0.82/mo.	9
FL	\$0.43/mo.	5
NJ	\$0.09/mo.	-

Source: HAI 5.0, Default Inputs, 18Kft loop. Non-Rural LECs Only

NOTE: U S WEST Does Not Support HAI 5.0. The FCC has determined that HAI 5.0 systematically understates loop length. Data Provided for Comparative Purposes Only.

Is Present Explicit Funding Sufficient?

Current USF Falls Far Short of Funding Determined by Even HAI 5.0

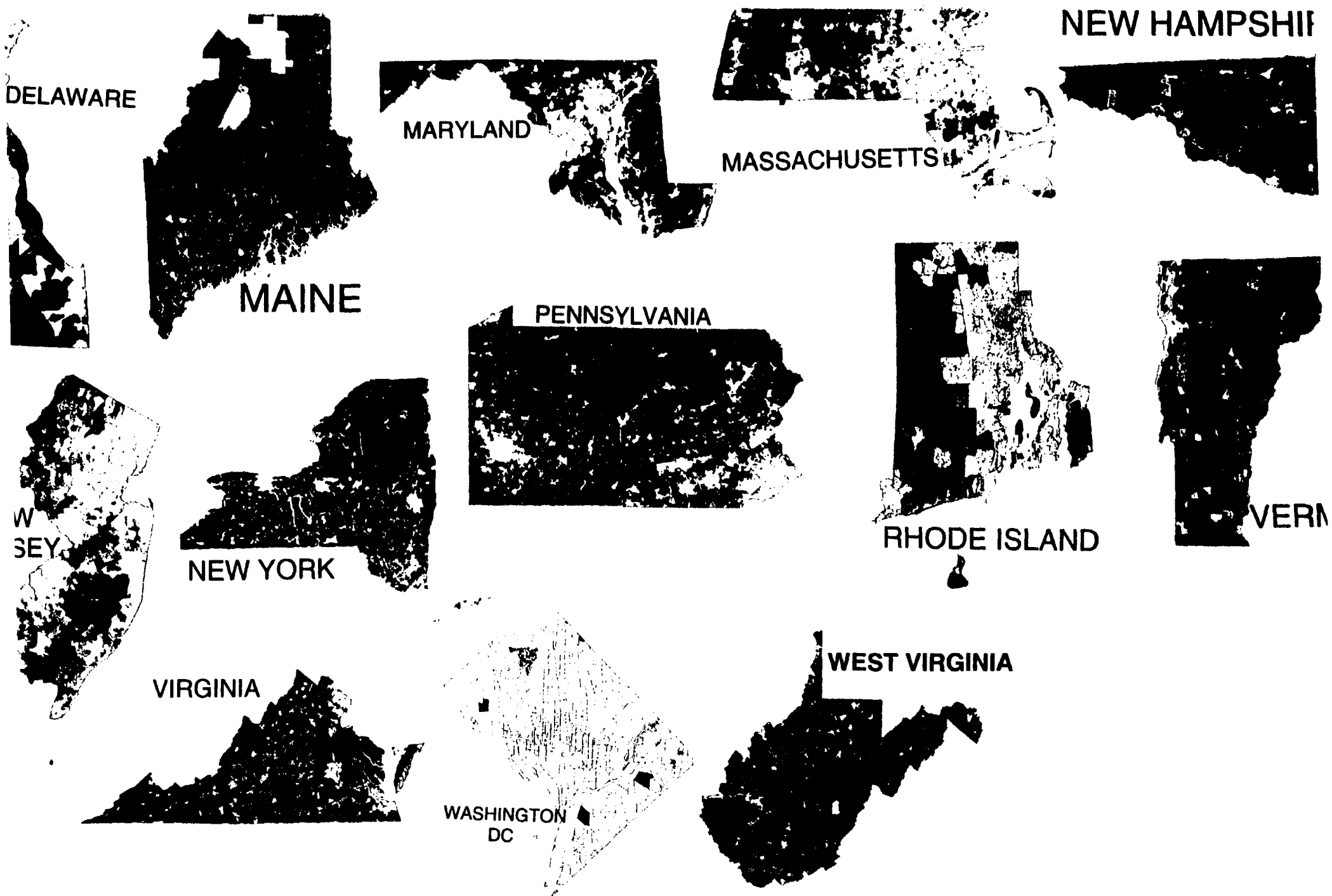
<u>STATE</u>	<u>HAI 5.0 FUNDS</u>	<u>PRESENT USF</u>	<u>SHORT</u>	<u>PER LINE</u>
WY	\$33.5M	\$3.3M	\$30.2M	\$11.14/mo
SD	\$22.4M		\$22.4M	\$8.32/mo
MT	\$29.3M	\$1.3M	\$28.0M	\$6.97/mo
NM	\$38.0M	\$3.2M	\$34.8M	\$3.93/mo

NOTE: Data for non-U S WEST states was not available when chart was prepared.

Source: HAI 5.0, Default Inputs, 18Kft loop. Non-Rural LECs Only.

NOTE: U S WEST Does Not Support HAI 5.0. The FCC has determined that HAI 5.0 systematically understates loop length. Data Provided for Comparative Purposes Only.

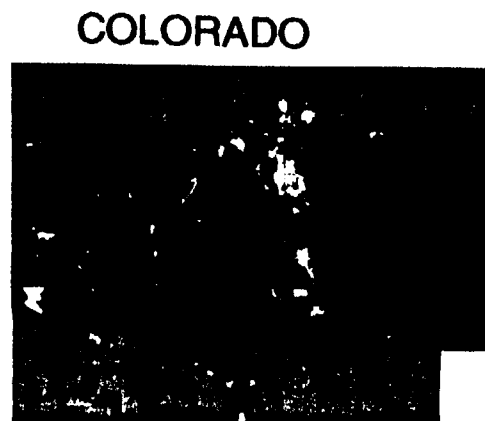
BELL ATLANTIC TERRITORY



U S WEST TERRITORY



ARIZONA



COLORADO



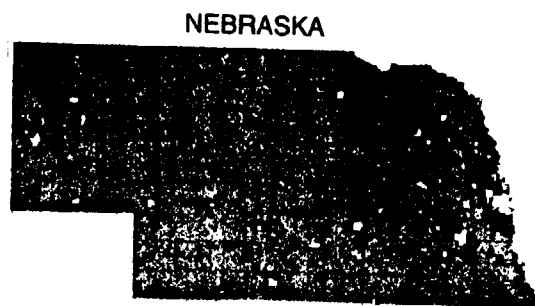
IDAHO



IOWA



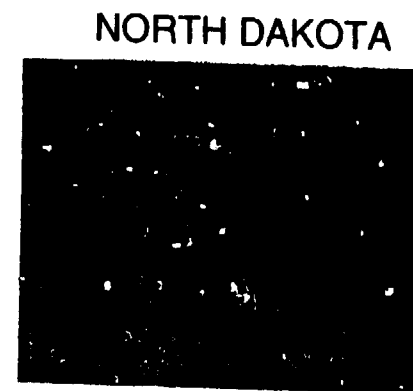
MONTANA



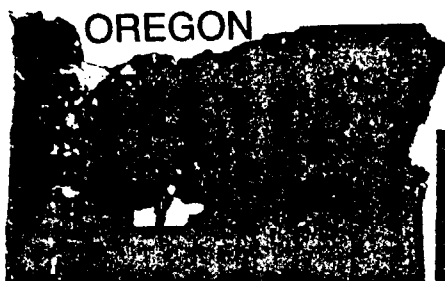
NEBRASKA



NEW MEXICO



NORTH DAKOTA



OREGON



UTAH



WYOMIN

In Their 11/23/98 Decision, the Joint Board Must Find That:

- For Some States Present Levels of Federal Implicit Support Are Sufficient.
- For Other States Additional Federal Support Will Be Necessary to Meet the Directives of the 1996 Act.
- A Simple and Fair Method Must Be Developed to Identify States Needing Additional Federal Assistance.
- The IHCAP Plan Proposed by U S WEST Uses a Single “Super-Benchmark” to Accomplish These Objectives.